

VZCZCXYZ0027
OO RUEHWEB

DE RUEHML #1800/01 2112306
ZNR UUUUU ZZH
O 292306Z JUL 08
FM AMEMBASSY MANILA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1438
INFO RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE
RUEHBK/AMEMBASSY BANGKOK 2845
RUEHPF/AMEMBASSY PHNOM PENH 0240
RUEHKA/AMEMBASSY DHAKA 2526
RUEHHK/AMCONSUL HONG KONG 4930

UNCLAS MANILA 001800

SIPDIS
SENSITIVE

STATE FOR EAP AND H -- PLEASE PASS TO STAFFDEL WEIL

E.O. 12958: N/A

TAGS: OREP PREL KPAQ RP

SUBJECT: SCENESETTER FOR STAFFDEL WEIL

REF: SECSTATE 80222

11. (SBU) Summary: Embassy Manila warmly welcomes Staffdel Weil to the Philippines! The relationship and spirit of partnership between the United States and the Philippines are strong. U.S. interests in this major non-NATO ally center on strengthening democracy, fostering economic growth, fighting terrorism, and providing superb services to our American and Filipino publics. The U.S. is the Philippines' largest trading partner, the largest investor, and the largest donor of grant foreign assistance. During your two days in Manila and one day in Davao, Mindanao, you will have the opportunity to learn about Post's robust interagency public diplomacy program through meetings at public- and private-sector organizations whose projects further the Mission's economic development and law enforcement goals, observe public events with media, and meet with alumni from various State Department exchange programs. Our entire team looks forward to making your visit productive and useful. End Summary.

BACKGROUND

12. (U) The Philippines, with almost 90 million people, has one of the fastest-growing populations in Asia. Metro Manila, home to at least 12 million people, is the largest city in a country made up of over 7,000 mainly mountainous islands. Literacy (94%) remains high, although the standard of public education and other government services is weak. Filipinos are mainly Roman Catholic (83%) or Protestant (10%) with a small Muslim minority (6%) in the southern island of Mindanao and in Manila. Approximately 38 percent of Filipinos earn less than \$2 per day, with a much higher percentage of Muslims in Mindanao eking out a living below this threshold.

PHILIPPINE POLITICS

13. (SBU) Philippine politics is free-wheeling, focused primarily on the charisma of individual political leaders, and still largely oligarchic, with most wealth and political power concentrated among influential families. President Gloria Macapagal Arroyo assumed the Presidency in 2001 after a "people power" movement swept out her predecessor, whom she recently pardoned after he was convicted of corruption. She is a strong leader who has faced a series of challenges to her rule, including unsuccessful impeachment efforts and low-level military coup attempts. The President's political position improved after May 2007 elections gave her allies a large majority in the House of Representatives, decreasing any impeachment threat. With two years left in her term, the President appears

intent on establishing her legacy, with a focus on the economy and jobs, infrastructure, and seeking stability and peace on Mindanao.

ECONOMICS AND TRADE

14. (U) The U.S. is the Philippines' largest trading partner, with over \$17.1 billion in two-way merchandise trade in 2007. Major U.S. exports include electronics and agriculture. The U.S. is also the largest investor here, with \$6.6 billion in equity. In 2006 and 2007, Dell, Inc. opened two contact center facilities in the Philippines that now employ over 2,600 IT technicians and customer care professionals providing after-sales service to Dell's customers. To date, Dell has invested more than \$150 million in the Philippines. The Philippine economy grew by 7.3 % in 2007, the fastest pace of growth in over three decades. Growth was fuelled by increased government and private construction expenditures, a robust information and communications-technology industry, improved agricultural harvests, and strong private consumption, spurred in part by \$14.4 billion in remittances from overseas workers (equivalent to about 11% of GDP). GDP growth is expected to slow in 2008, but still reach between 5-6%. Record economic growth and an improved image moved the Philippines up five places to 40th in the latest World Competitiveness Yearbook rankings, its best performance since it joined the listing over a decade ago. According to the April 2008 Social Weather Stations survey, Filipinos' self-assessed proficiency in the English language has recovered in the past two years after a decline over the previous 12 years. President Arroyo has an impressive reform agenda -- privatizing the electric power sector, building infrastructure, increasing education funding, and reducing business red tape -- but still faces significant hurdles, particularly to improving the investment climate.

COUNTERTERRORISM EFFORTS

15. (SBU) Three U.S.-designated terrorist organizations are active and dangerous in the Philippines, despite significant military success against them over the past two years. Separately, the New People's Army of the Communist Party continues to extort, bomb and attack remote police and military outposts. Parts of Muslim Mindanao remain a sanctuary for terrorists who are responsible for bombings in the Philippines and Indonesia and kidnappings and killings of Americans and Filipinos. A Joint Special Operations Task Force (JSOTF-P) of several hundred U.S. military personnel provides direct support to the Philippine Armed Forces in key locations in Muslim Mindanao, sharing intelligence, advice, and assistance. The major thrust of U.S. development assistance is focused in conflict-affected areas of Mindanao through USAID to help reduce support for terrorists. The Philippine military has scored successes against several top terrorist leaders in its focused military operations and its extensive civil-military and humanitarian activities that eliminate spaces in which terrorists can operate. In addition, the Philippines' Defense Reform Program gradually is transforming the Philippine military into a more transparent, accountable, and effective institution that enjoys an increased level of public trust.

PEACE PROCESS IN MINDANAO

16. (SBU) Presidential Advisor on the Peace Process (and former Chief of the Armed Forces) Hermogenes Esperon just announced that the Philippine Government and the Moro Islamic Liberation Front (MILF) agreed to a chapter on territory for a new Muslim political entity - a key issue in facilitating a comprehensive peace plan between the Government and the MILF. This new agreement is expected to be signed in August and will signal the beginning of formal talks for a pact that addresses governance and security in the troubled region of Mindanao. Progress on the peace process has historically led to decreased violence and a less hospitable environment for terrorists.

The challenge remains for Secretary Esperon and the other Philippine Government negotiators to bring together Mindanao's diverse Muslim, Christian, and native communities into a larger peace agreement. Successful peace in Mindanao would make the

Philippines a stronger, more outward-looking partner, while also denying terrorists ungoverned spaces.

DEVELOPMENT AND LAW ENFORCEMENT ASSISTANCE

17. (U) Development assistance from the U.S., complemented by increasing support from the World Bank, Japan, Australia, and others has established growing zones of peace and private sector-led growth in Mindanao, thereby attacking the conditions of poverty that provide breeding grounds for terrorists. About 60% of USAID's annual development assistance is channeled to conflict-affected areas of Mindanao to promote economic opportunity, build infrastructure, and carry out programs that promote health care, renewable energy, environmental protection, education, and strengthening of local governance. The Embassy's Public Affairs Section (PAS) exchange programs for students and community leaders provide opportunities to interact with responsible and moderate Muslims.

18. (SBU) USAID, Embassy law enforcement agencies, Philippine local governments and law enforcement authorities, and NGOs collaborate on various programs throughout the Philippines, with a value of more than \$1 million in 2007, to raise awareness that helps prevent Trafficking in Persons (TIP), arrest and prosecute human traffickers, and protect and assist TIP victims. The assistance includes providing NGOs such as the Visayan Forum Foundation with funds to build and operate halfway houses and shelters for victims. Our law enforcement agencies train police, customs, and immigration agents in detecting human trafficking and saving victims. Our USAID programs help educate people about the dangers of trafficking, and also to train prosecutors on trafficking cases.

PUBLIC AFFAIRS CLIMATE

19. (SBU) The unique colonial history between our two nations has created a special relationship between our peoples that is critical to our efforts to promote U.S. policies and values. Recent public opinion polls demonstrate that over 90% of the Philippine public holds favorable views of America, and far more Filipinos believe the U.S., rather than any other Asian nation, will be their most important partner ten years hence. However, our colonial past, our support for the Marcos dictatorship, and controversy over our former military bases have left latent emotional wounds that require careful dressing to heal. The Muslim minority and younger population are naturally more skeptical of the U.S.

10. (SBU) Post has developed a bold, forward strategy to engage every Mission element in public diplomacy to connect with all sorts of Filipinos. A thoroughly interagency public affairs team with U.S. military representatives, USAID public affairs, and the State Department Public Affairs team spearheads the effort. U.S. military deployments depend on popular support, and our public affairs team created public diplomacy opportunities out of scores of ship visits, goodwill gestures and civilian events of all types. In Muslim Mindanao, we have created enormous goodwill with frequent, publicized visits to inaugurate USAID or U.S. military projects, and crucial exchange programs.

11. (SBU) Since the 1986 "People Power" restored freedom of the press in the Philippines, Philippine news media have been famously unfettered and often display inaccurate reporting, misquotes or quotes out of context, misleading headlines, and bias according to media owners' economic and political interests. The major daily broadsheet newspapers are published in English, though many tabloids and regional papers are published in Filipino and other languages. Newspaper circulation is low at 1.5 million, and television is the single most important news and information medium, followed by radio and vernacular and English-language press. Two national, commercial free/air networks have the vast majority of the TV viewing audience though satellite and cable television are available to increasingly larger audiences. Nationwide, Internet access is low (10%) and limited almost entirely to economic elites living in major urban centers.

Visit Embassy Manila's Classified SIPRNET website:
<http://www.state.sgov.gov/p/eap/manila/index.cfm>

You can also access this site through the State Department's
Classified SIPRNET website:
<http://www.state.sgov.gov/>

KENNEY